

called nuclear option. Our form of government is founded on a system of checks and balances, which serves to protect the rights of all individuals. The right in the Senate to unlimited debate is an important part of our system of checks and balances and ensures that on important, critical issues a bipartisan consensus is reached of more than a bare minimum majority of Senators.

I sincerely hope that cooler heads will begin to prevail and my colleagues will tone down the rhetoric they have been using to smear the integrity of the judiciary, and the Republican leadership will reject the divisive and unprecedented so-called nuclear option.

I yield the floor.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. REED. Mr. President, I ask unanimous consent to speak for 10 minutes in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

### SOCIAL SECURITY

Mr. REED. Mr. President, I rise to express my deep concern about the negative impact the President's proposals that carve out private accounts will have on our Social Security system and also on our mounting Federal debt and the solvency of our Social Security Program in general and, ultimately, the economic prosperity of the Nation over many years.

President Bush's plan to create private accounts within Social Security would lead to the following, I believe, very unfortunate effects:

It would require a massive increase in Federal debt.

It would weaken the Social Security solvency.

It would not increase national savings and could lower it. National savings is a key function of our economy. Without national savings, we do not have the pool of capital we need for investment, innovation, and economic progress.

Finally, it would sharply cut the guaranteed Social Security benefits under the President's preferred full plan.

Let me go into some detail on these issues, drawing upon the excellent work of the Democratic staff of the Joint Economic Committee. I am very privileged to be the ranking member of the Joint Economic Committee. We have assembled a staff of professionals who have looked at all of these issues in great detail. They have concluded, as I suggested, that there are serious problems, not only in terms of solvency of the fund, not only in terms of the increase in Federal debt, but also large cuts in the guaranteed benefits of all of the beneficiaries. That will be a very unfortunate and, indeed, unnecessary consequence of any proposed reform of Social Security.

Let's take a look at this first chart. It lays out the debt issue with respect

to Social Security. First, the President has proposed that his plan for private accounts and Social Security reform would begin in the year 2009. He has put no money into his budget or his long-term budget. Typically, when we budget, we at least look ahead 10 years.

In that first 10-year increment, which would be precisely from 2006 to 2015, there would be an increase of \$754 billion as a result of these private accounts. Again, beginning in 2009 and essentially stretching to 2015, you would accumulate almost \$1 trillion, \$754 billion of debt.

But the real staggering number is the first 20 years of these programs if the private accounts are made law. That increased debt would be \$4.9 trillion, an extraordinary amount of money. Again, I believe it is appropriate to look at least 20 years. We are talking about solvency for the fund for 75 years. Just in the 20 years, we would have almost \$5 trillion in additional Federal debt.

The other issue that is important to point out is that this debt is on top of existing debt. This chart just describes the rapid increase of Federal debt as a result of private accounts from the year 2010 to the year 2060. By 2060, 35 percent of GDP will be equal to the debt we have accumulated for private accounts. I think we will stop for a moment: 35 percent of GDP; the debt will equal 35 percent of gross domestic product in the year 2060, but add that to current debt, the debt we are funding to operate our Government, and by 2060, the staggering total of debt relative to GDP is 70 percent.

We have not run those debt levels since the end of World War II in which we all know we dedicated every resource we had to defeat the Axis. This is a much different world than 1945 and 1946. In 1945 and 1946, we were at the sanctuary, if you will, of economic productivity for the world. Our infrastructure had not been destroyed. We had tooled up to create the most technologically advanced military force in the world. We quickly transitioned our tanks to Oldsmobiles and Chrysler automobiles and washing machines. Now we are in a world of intense competition, global competition, and if we believe we can live with debt equal to 70 percent of our gross domestic product, I think that is a fanciful notion, but that is the consequence of the President's proposal for private accounts.

The other point we should note, too, is that this proposal for private accounts actually accelerates the insolvency of the Social Security fund. Again, the President's proposal is premised on saving Social Security, of making it more solvent. His private accounts would accelerate the insolvency date. This chart shows current law. Again, it is a function of GDP, but it shows where the fund's assets cross the zero line, and that is about 2042. The President's proposal of private accounts would drive the funds into in-

solvency much earlier—about 2030. It makes no sense to me, if your goal is to increase the solvency of the fund, to have a proposal that actually weakens solvency. In a sense, searching for an analogy, if the boat is leaking, don't break a big hole in the bottom and have more water come in. That is not the way you save a leaking ship.

Turning away from the charts, let's go to the mathematics of how this all works.

The current Social Security shortfall, an estimate by the trustees, the actuaries of the Social Security Administration, is minus \$4 trillion. That is how much money we would have to have today to cover the shortfall for the next 75 years.

Here is what the President's plan for private accounts does: First, it costs \$4.7 trillion, so that is an additional \$4.7 trillion. But what the President proposes is that there is essentially a privatization tax, that those private account holders will have to pay back some money at the time they exercise their retirement benefits. That is \$3.1 trillion. Still we have a gap of \$1.6 trillion, the net cost of the private accounts.

Add that to \$4 trillion and now we have a shortfall of \$5.6 trillion. We have created a bigger problem; we have not solved the problem.

The next table also suggests the possible consequences on national savings. Again, national savings is a key macroeconomic construct when it comes to progress in terms of our economy because it is from those national savings which we draw the investment capital and resources to train people, to innovate new equipment, to invest in new plant and equipment.

This is what happens, and national savings is a simple function of private savings, what you and I, our households are saving, together with public savings, what the Government is saving. We have stopped saving. We were saving, which means we had a surplus, until 2000, 2001, and now we are in a huge deficit, about \$450 billion a year.

Let us see what would happen with these private accounts. First, the public borrows more money. Public savings go down. Private savings go up because we give that money back to people and say now put it into the stock market. The net effect is zero at best, but it could even be worse than that because something could happen in terms of public behavior.

First, they could reduce their current savings saying, well, I do not have to save anymore for contingencies because now I have this private savings plan. It is a possibility. To what extent it happens in reality, it is a projection, but that is a possibility.

The second is early retirements for these funds. My sense is, every time we have constructed some type of retirement benefit we have found ways to allow people to borrow from it for emergencies. We will probably do the same here. But even if those factors do

not take place, zero national savings at best. We need to develop policies that encourage national savings. We should not be devoting huge tax cuts for wealthy Americans. We should be devoting tax cuts to encourage average Americans to save more, and we cannot do both if we have a deficit. My preference obviously would be to encourage average Americans to save more.

Now, chart No. 5 walks through the effect on individuals. The President has not offered a plan yet. He has been talking about it around the country, but the suggestions, the intimations are that in order to help address the solvency problem he is going at benefit payments. Essentially, the Commission to Strengthen Social Security put out the blueprint, and this blueprint would suggest cuts in benefits. One proposal was moving away from wage replacement to simple cost-of-living increases in benefits. That would effectively be a cut over time.

If we look at the combination of guaranteed benefits and the best estimates of the yield on private accounts, here is what happens over time. This is from the Congressional Budget Office. The average earner retiring in the year 2005 is protected. I think we recognize that because we have not made a change yet. By 2015, however, if one is participating in private accounts, they are doing worse than this 2005 beneficiary, and it goes down all the way. We can see as the guaranteed benefits decrease, the private accounts do not make up the difference, and this is some of the work of CBO.

So we have a situation that, frankly, is not a good deal for the retirees and not a good deal for the country when the debt is increased so precipitously. More national savings are not encouraged. A situation is created in which the problem is not getting fixed but is being made worse in so many different dimensions.

When we look at this issue of benefit payments, many people fail to recognize that this is not just about retirees. I have a retiree here. There are a significant number of Americans who collect Social Security because they are disabled. They will not have the benefit of private accounts because by definition they cannot work. They are disabled. So they are not going to be taking their paycheck each month and putting it into their private account. All the most vulnerable Americans are going to see is a benefit reduction, and that is not fair. It is not smart either.

Moreover, there is a suggestion that this is just an issue for seniors and that is all. The Social Security Administration has an interesting statistic, at least I found it very interesting. Their estimate is, of the cohort of 20-year-olds who are out there today just joining the workforce, who are healthy and running around, who have no immediate cares for retirement like middle-aged people, that 3 out of 10 will become disabled before they reach 65 years old. So I ask, where are they

going to get the disability insurance to cover the benefits that today Social Security pays to people who become disabled? They cannot afford it. They will not buy it. There will be some disability program, but it will not be the kind of program that today provides at least some modicum of support for individuals who have been disabled through no fault of their own.

This is a topic that will be discussed again and again, but it is important to look at these issues and to make a practical and pragmatic assessment. That is what the American people are doing today. They are looking at the proposal of private accounts. They are seeing it jeopardize our economic future and seeing it eventually cut their prospects for retirement or for protection if they become disabled, and they are rejecting it out of hand. I think they should.

We have to continue to keep the focus on this particular proposal.

I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. THOMAS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. SUNUNU). Without objection, it is so ordered.

Mr. THOMAS. Mr. President, I ask unanimous consent to speak as in morning business.

The PRESIDING OFFICER. We are in morning business. The Senator is recognized.

#### SETTING PRIORITIES

Mr. THOMAS. Mr. President, I know we have a lot of things on our minds with some distractions, of course, but I will talk just a moment about some of the things I believe we ought to have as priorities. We need to establish our priorities so that we can work on the things we collectively believe have the most impact and should really be acted upon. Obviously, there are all kinds of ideas among us, and as we talk to people who come to see us and our people at home, why, there are a million things, but there are some that seem to be in need of consideration more quickly.

One of them is energy. We have talked about having an energy policy now for several years. The evidence now is even stronger that we need an energy policy which gives us some kind of insight as to where we need to be in 10 or 15 years so that as we approach the problems, we can discover the things it takes to attain those goals.

Our energy policy has always been a broad policy, as it should be. It has been a policy that talks about conservation, efficiency, alternative sources, renewables, as well as domestic production. Certainly, one of the things that is most important, that the

administration and the President has pushed, is to do some work to make sure coal fits into the environment satisfactorily. Coal is our largest fossil fuel, and we ought to be using coal for electric generation rather than some things other than coal, such as gas. Almost all of the generation plants over the last 20 years have been gas, largely because it is more economical to build a smaller plant closer to the market with gas than coal. So not only do we need to do something about the carbon and the exhaust from coal, but we also have to do something about transmission so that we can economically create electricity at the mine mouth and get it through our transmission system to the market.

We passed a highway bill a number of years ago, and we have never been able to get it completely passed, so we have just passed on the old one. It is certainly more than past time to get a highway bill. There is probably nothing that has more impact on our economy, creates more jobs, and allows for other things to happen in the economy than highways. We certainly need to do that.

Additionally, one of the things that becomes clear, and even more clear as we spend time on Social Security, which we should, is personal savings accounts that people can have for themselves. As I have gone about talking about Social Security, I have always tried to remind folks that Social Security was never intended to be a retirement program. It is a supplement. It is a supplement to the retirement programs that we put together.

There are a number of ways, of course, where there are incentives for savings, whether they be retirement programs or 401(k)s in which the employers participate. Now we have a potential for savings that can be spent earlier than retirement, that could be used for almost anything. One of the real issues is to have medical savings accounts so that we can buy cheaper insurance policies with a higher deductible and, therefore, have some money to pay for that.

There is nothing, perhaps, more important than to get ourselves into a position of people preparing for their own retirement. This Social Security discussion has shown basically what young people could do by putting aside a relatively small amount of money every month and having it earn interest for them.

One of the things I recognize is a little bit regional is the Endangered Species Act. It has been in place for a very long time. In my judgment, it has not been as effective as it could be. I am not for doing away with the Endangered Species Act, but we have roughly 1,300 species listed as endangered and have only recovered about a dozen. So the emphasis has been in the wrong place. We are going to have an opportunity to be able to do that, and it has great impact in many cases. It is kind of used as a land management tool so